

Council/Agency Meeting Held: _____	_____ City Clerk's Signature
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	
Council Meeting Date: August 15, 2005	Department ID Number: FN 05-004

CITY OF HUNTINGTON BEACH REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS
SUBMITTED BY: *Penelope Culbreth Graft* PENELOPE CULBRETH-GRAFT, CPA, CITY ADMINISTRATOR
PREPARED BY: DAN T. VILLELLA, CPA, FINANCE OFFICER *DT*
SUBJECT: ADOPT RESOLUTION TO ESTABLISH FISCAL YEAR 2005-2006 ANNUAL APPROPRIATION LIMIT

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HUNTINGTON BEACH, CA
2005 AUG -4-RA 8:46

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue:

Article 13B of the State of California Constitution (the Gann Appropriation Limit) imposes upon state agencies and local government the obligation to limit each fiscal year's appropriations and requires the City of Huntington Beach to annually adopt a tax proceeds appropriation limit.

Funding Source:

Not applicable

Recommended Action:

Adopt Resolution Number ~~2005-55~~ "A Resolution of the City Council of the City of Huntington Beach Establishing the Appropriation Limit for Fiscal Year 2005-2006" of \$512,161,427.

Alternative Action(s):

1. Do not adopt an appropriation limit in which case the prior year limit applies.
2. Adopt the limit with different factors.

Analysis:

In November 1979, the California voters approved Article 13B of the State of California Constitution, which allows the city's spending of tax proceeds to increase only by factors from the base year of 1978-1979. In June 1990, Proposition 111 was passed which changed the way the limit is calculated and is outlined as follows.

The city may increase its limit annually in two ways:

- By a percentage equal to the increase from the preceding year in county or city population (whichever is greater).

E-10

REQUEST FOR ACTION

MEETING DATE: August 15, 2005

DEPARTMENT ID NUMBER: FN 05-004

Analysis (continued):

- By an amount equal to the change in per capita personal income in California or the change in the assessment roll the preceding year due to the addition of local nonresidential new construction (whichever is greater).

For this year's calculation, the 1.13 percent increase in County population was greater than the increase in the city's population of 0.87 percent. The 5.26 percent increase in per capita personal income was greater than the 2.15 percent increase in the assessment roll from the addition of local, nonresidential construction.

The proposed appropriation limit for FY 2005-2006 was calculated as follows:

FY 2004-2005 Adopted Appropriation Limit	\$481,131,170
Multiplied by change in per capita personal income	1.0526
Multiplied by change in county population	1.0113
Proposed FY 2005-2006 Appropriation Limit	<u>\$512,161,427</u>

Appropriations of revenues controlled by the Gann Limit are primarily in the General Fund. General Fund appropriations for FY 2005-2006 are expected to be significantly below the amount set as the city's appropriation limit.

Examples of proceeds of taxes governed by the Gann Appropriation limit are: property taxes, sales taxes, utility taxes, state subventions, fines, forfeitures, interest revenue on regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product, or service.

Environmental Status:

Not applicable.

Attachment(s):

City Clerk's Page Number	No.	Description
3	1.	Resolution Number 2005-55 "A Resolution of the City Council of the City of Huntington Beach Establishing the Appropriation Limit for Fiscal Year 2005-2006"

E-10.2

ATTACHMENT 1

E-10.3

RESOLUTION NO. 2005-55

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF HUNTINGTON BEACH
ESTABLISHING THE APPROPRIATION LIMIT
FOR FISCAL YEAR 2005-2006

WHEREAS, Article 13B of the State of California imposes upon state agencies and local government the obligation to limit each fiscal year's appropriations of the proceeds from taxes to the amount of such appropriations in fiscal year 1978-1979 adjusted for changes as prescribed under the law,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntington Beach that in compliance with the provisions of Article 13B of the California Constitution and the formula set out therein, there is hereby established an appropriation limit of \$512,161,427 for the fiscal year 2005-2006.

PASSED AND ADOPTED by the City Council of the City of Huntington Beach at a regular meeting thereof held on the _____ day of _____, 200__.

Mayor

REVIEWED AND APPROVED:

Penelope Culbreth
City Administrator

APPROVED AS TO FORM:

Emmett McFarlane
City Attorney *KC 7/19/05*

INITIATED AND APPROVED:

Paul T. Villalva
Finance Officer *pr 7/26/05*

E-10.4